

SCOTT COUNTY DECATEGORIZATION PROGRAM

Independent Auditor's Reports
Basic Financial Statements
Supplementary Information
Schedule of Findings

June 30, 2011

SCOTT COUNTY DECATEGORYIZATION PROGRAM

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Independent Auditor's Report

The Executive Committee
Scott County Decategorization Program:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scott County Decategorization Program, as of and for the year ended June 30, 2011, which collectively comprise the Program's basic financial statements listed in the table of contents. These financial statements are the responsibility of Scott County Decategorization Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Scott County Decategorization Program, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of Scott County Decategorization Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 6 and 19 through 24, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Scott County Decategorization Program's basic financial statements. Other supplementary information included in Schedules 1 through 5 and the accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures, applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Bettendorf, Iowa
December 5, 2011

Gabelmann & Associates, P.C.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

June 30, 2011

Scott County Decategorization Program provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of its financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Program's financial statements.

2011 Financial Highlights

Revenues of Scott County Decategorization Program's governmental activities increased 1.8%, or approximately \$40,133, from the prior fiscal year. Program expenses of Scott County Decategorization Program's governmental activities increased 2.2%, or approximately \$49,573, from the prior fiscal year.

Scott County Decategorization Program's net assets decreased approximately \$16,842, from June 30, 2010 to June 30, 2011.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Program's financial activities.

Government-Wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Scott County Decategorization Program as a whole and present an overall view of the Program's finances.

Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Scott County Decategorization Program's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements by presenting the Schedule of Revenue and Expenditures - Budget to Actual for Scott County Decategorization Program.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

Using This Annual Report, continued

Other supplementary Information provides detailed information about the individual funds of Scott County Decategorization Program and information that further explains and supports the financial statements.

Reporting Scott County Decategorization Program's Financial Activities

(1) Government-Wide Financial Statements

The statement of net assets and the statement of activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The statement of net assets presents all of the Program's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Program's net assets may serve as a useful indicator of whether the financial position of the Program is improving or deteriorating.

The statement of activities presents information showing how the Program's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

(2) Fund Financial Statements

Governmental funds account for all of the Program's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. These funds are reported using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The governmental fund financial statements provide a detailed view of the Program's general governmental and special revenue operations. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent by program.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current assets	<u>\$1,558,910</u>	<u>\$1,561,117</u>
Liabilities	<u>899,826</u>	<u>885,191</u>
Net assets:		
Restricted	260,446	277,522
Unrestricted	<u>398,638</u>	<u>398,404</u>
Total net assets	<u>\$ 659,084</u>	<u>\$ 675,926</u>

The largest portion of the Program's net assets was unrestricted. Unrestricted net assets are the part of the net assets that can be used to finance day-to-day operations.

	<u>Changes in Net Assets for the Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
State and federal	\$2,255,780	\$2,211,746
Other	<u>5,884</u>	<u>9,785</u>
Total revenues	2,261,664	2,221,531
Expenditures	<u>2,278,506</u>	<u>2,228,933</u>
Decrease in net assets	(16,842)	(7,402)
Net assets, beginning of year	<u>675,926</u>	<u>683,328</u>
Net assets, end of year	<u>\$ 659,084</u>	<u>\$ 675,926</u>

The Program's net assets decreased \$16,842 during the year. Revenues increased \$40,133 over the prior year due to an increase in the amount of funding received.

The cost of all governmental activities this year was \$2,278,506 compared to \$2,228,933 last year. This was also due to the increase in the amount of funding expended.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

The Future of Scott County Decategorization Program

- The General fund continues to maintain an adequate balance to leverage cost reimbursement grants. The Early Childhood Iowa funds maintain appropriate carryover balances. The Medicaid fund continues to have funds available for one time health related projects in Scott County.
- There are concerns, due to the current recession, that future funding may decrease in Early Childhood Iowa funds.
- Decategorization program funds beginning in FY12 will be able to carryforward unused funds for two fiscal years allowing programs to be implemented and maintained on a consistent basis as funds can be managed better.
- There continues to be an emphasis on community planning for youth development and preschool access.
- Continued increase costs of health insurance benefits could impact affordability.
- Continued collaboration with the Department of Human Services and other community services will occur to maximize community resources.

Contacting the Program's Financial Management

This report is designed to provide readers with a general overview of Scott County Decategorization Program's finances and operating activities. If you have any questions about this report or require additional financial information, contact Marcy Mendenhall, 600 West Fourth Street, Davenport, Iowa 52801 or by telephone at (563)326-8221.

Marcy Mendenhall
Executive Director

SCOTT COUNTY DECATEGORIZATION PROGRAM

Statement of Net Assets

June 30, 2011

Assets:

Cash and cash equivalents	\$ 977,470
Certificates of deposit	483,746
Grants receivable	73,404
Interest receivable	411
Prepaid expenses	<u>23,879</u>
Total assets	<u>1,558,910</u>

Liabilities:

Accounts payable	580,582
Accrued expenses	15,372
Unearned revenue	<u>303,872</u>
Total liabilities	<u>899,826</u>

Net assets:

Restricted	260,446
Unrestricted	<u>398,638</u>

Total net assets	<u>\$ 659,084</u>
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See accompanying notes to financial statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Statement of Activities

Year Ended June 30, 2011

Revenue:	
State of Iowa, grant revenue	\$2,255,780
Other	1,343
Interest	<u>4,541</u>
Total revenue	2,261,664
Expenditures	<u>2,278,506</u>
Decrease in net assets	(16,842)
Net assets, beginning of year	<u>675,926</u>
Net assets, end of year	<u>\$ 659,084</u>

See accompanying notes to financial statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Balance Sheet – Governmental Funds

June 30, 2011

		<u>Special</u>	
		<u>Empowerment Funds</u>	
	<u>General</u>	<u>School</u>	<u>Early</u>
	<u>Fund</u>	<u>Ready</u>	<u>Childhood</u>
<u>Assets</u>			
Assets:			
Cash and cash equivalents	\$ 49,306	\$ 353,108	\$ 350,872
Certificates of deposit	46,560	114,785	-
Grants receivable	73,404	-	-
Interest receivable	3	1	-
Prepaid expenses	-	814	23,065
Due from empowerment funds	310,421	-	-
Due from Medicaid fund	65,990	-	-
Due from general fund	-	-	-
Total assets	\$ <u>545,684</u>	\$ <u>468,708</u>	\$ <u>373,937</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 78,131	\$ 214,537	\$ 64,547
Accrued expenses	15,372	-	-
Unearned revenue	50,732	210,266	42,874
Due to general fund	-	43,905	266,516
Due to ARRA fund	2,811	-	-
Total liabilities	<u>147,046</u>	<u>468,708</u>	<u>373,937</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	-	814	23,065
Restricted for:			
Empowerment program uses	-	(814)	(23,065)
Medicaid	-	-	-
Unassigned	<u>398,638</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>398,638</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	\$ <u>545,684</u>	\$ <u>468,708</u>	\$ <u>373,937</u>

See accompanying notes to financial statements.

Revenue Funds

<u>Medicaid Fund</u>	<u>ARRA Fund</u>	<u>Eliminations</u>	<u>Total</u>
\$ 3,628	\$ 220,556	\$ -	\$ 977,470
322,401	-	-	483,746
-	-	-	73,404
407	-	-	411
-	-	-	23,879
-	-	(310,421)	-
-	-	(65,990)	-
-	2,811	(2,811)	-
<u>\$ 326,436</u>	<u>\$ 223,367</u>	<u>\$ (379,222)</u>	<u>\$ 1,558,910</u>
\$ -	\$ 223,367	\$ -	\$ 580,582
-	-	-	15,372
-	-	-	303,872
65,990	-	(376,411)	-
-	-	(2,811)	-
<u>65,990</u>	<u>223,367</u>	<u>(379,222)</u>	<u>899,826</u>
-	-	-	23,879
-	-	-	(23,879)
260,446	-	-	260,446
-	-	-	398,638
<u>260,446</u>	<u>-</u>	<u>-</u>	<u>659,084</u>
<u>\$ 326,436</u>	<u>\$ 223,367</u>	<u>\$ (379,222)</u>	<u>\$ 1,558,910</u>

SCOTT COUNTY DECATEGORIZATION PROGRAM

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2011

		<u>Special</u>	
		<u>Empowerment Funds</u>	
	<u>General</u>	<u>School</u>	<u>Early</u>
	<u>Fund</u>	<u>Ready</u>	<u>Childhood</u>
Revenue:			
State of Iowa, grant revenue	\$ 240,851	\$1,326,595	\$ 666,351
ARRA, infant and toddler quality child care program	-	-	-
Other	1,343	-	-
Interest	<u>339</u>	<u>1,085</u>	<u>1,565</u>
Total revenue	242,533	1,327,680	667,916
Expenditures	<u>242,299</u>	<u>1,327,680</u>	<u>667,916</u>
Excess (deficiency) of revenues over (under) expenditures	234	-	-
Fund balance, beginning of year	<u>398,404</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 398,638</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Revenue Funds

<u>Medicaid Fund</u>	<u>ARRA Fund</u>	<u>Adjustments</u>	<u>Total</u>
\$ -	\$ -	\$ 1,710	\$2,235,507
-	20,273	-	20,273
-	-	-	1,343
<u>1,213</u>	<u>339</u>	<u>-</u>	<u>4,541</u>
1,213	20,612	1,710	2,261,664
<u>18,289</u>	<u>20,612</u>	<u>1,710</u>	<u>2,278,506</u>
(17,076)	-	-	(16,842)
<u>277,522</u>	<u>-</u>	<u>-</u>	<u>675,926</u>
\$ <u>260,446</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>659,084</u>

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

June 30, 2011

(1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Scott County Decategorization Program

Scott County Decategorization Program (the Program) serves as a focal point for collaborative community planning to achieve better outcomes for children 0-21. Goals are advanced, employing key strategies that rely upon effective service coordination, strong public/private partnerships, and braided funding strategies designed to ensure a continuum of health, education, and family support services. Primary funding streams include annual state and federal child welfare and juvenile justice allocations.

The Program provides a formal public entity for ongoing community assessment and implementation of collaborative strategies designed to link children and families to existing services, identify gaps in services, and assist in the development of new programs that will strengthen community capacity to respond to the area's at-risk population.

The Program is governed by a ten member board known as the Executive Committee, which is compromised of representatives from Scott County, Iowa government including the Health Department, Community Services and Administration, the Iowa Department of Human Services, the Office of Juvenile Court Services, the Seventh Judicial District, as well as members of the general public.

Scott County Community Empowerment Board

The goal of Scott County Community Empowerment Board (Empowerment) is to improve the well being of young children 0-5 and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. Empowerment is funded with federal and state block grants.

An autonomous board with a minimum of fifteen citizens from Scott County governs Empowerment. The Empowerment Board is comprised of representatives from county government including the directors of the Departments of Health and Community Services and the County Administrator. Also serving on the Board are the regional administrator from the Iowa Department of Human Services, four members representing business and labor, five members at-large, one member from the faith community, and three members who are the parents of young children.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Nature of Organization, continued

Scott County Community Empowerment Board, continued

Empowerment is required to designate a public entity as fiscal agent to administer grant funds, pursuant to Iowa Code Chapter 28.7. Scott County, Iowa was the previous fiscal agent for the Board, and Empowerment was reported as an agency fund on the county's financial statements. Effective in fiscal year June 30, 2001, Scott County Decategorization Program was designated as the fiscal agent of Empowerment.

Summary of Significant Accounting Policies

(a) Reporting Entity

The financial statements of the Program consist of only governmental funds, which include two specific types of funds, general and special revenue. The activity of Scott County Decategorization Program is reported in the general fund. The Scott County Community Empowerment Board, the Medicaid Fund, and the ARRA Fund are considered special revenue funds. The accounts of the Program are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

(b) Basis of Presentation

The financial statements of Scott County Decategorization Program have been prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Program utilizes the accrual method of accounting. Under this method, revenues are recorded when earned and expenditures are recorded when incurred.

(c) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(d) Subsequent Events

In accordance with the Subsequent Events Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, in preparing these financial statements, the Program has evaluated events and transactions for potential recognition or disclosure through December 5, 2011, the date the financial statements were available to be issued.

(e) Cash and Cash Equivalents

For the purpose of reporting cash flows, the Program includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all liquid debt instruments purchased with an original maturity of three months or less, excluding certificates of deposit, to be cash equivalents.

(f) Certificates of Deposit

The program includes all certificates of deposit regardless of original maturity to be certificates of deposits.

(g) Grants Receivable

Grants receivable are from programs offered by the Program. Management believes that all grants receivable as of June 30, 2011 are fully collectible; therefore, no allowance for doubtful accounts is recorded.

(h) Prepaid Expenses

Empowerment has advanced funding to a subcontractor for a childcare assistance program for the Early Childhood Program. The amount of the advance at June 30, 2011 of \$22,500 is included with prepaid expenses.

(i) Net Assets and Fund Balances

The Statement of Net Assets presents the Program's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(i) Net Assets and Fund Balances, continued

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

In the government fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

(j) Unearned Revenue and Revenue Recognition

Grants from government, state, and local agencies are accounted for as exchange transactions whereby the revenue is recognized as funds are expended for approved program expenditures, as established by the government, state, and local agencies.

(k) Medicaid Funds

Scott County transferred funds to the Program in June 2000. Scott County had collected these funds from Medicaid and the funds are available for disbursement to other agencies in future periods.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(l) American Recovery and Reinvestment Act of 2009 (ARRA) Funds

The Organization received ARRA program funding to implement a short-term child care program for families with children under the age of 2 that meet eligibility criteria. The funds are to be used for the Infant and Toddler Quality Child Care Program which ended June 30, 2011.

(m) Income Taxes

The Program is organized as an Intergovernmental Agreement under Chapter 28E of the Iowa Code. The Program is exempt from federal income taxes as a political subdivision.

The Program reports the following major governmental funds:

The General Fund is the Program's primary operating fund. It accounts for all financial resources of the Scott County Decategorization Program, except those required to be accounted for in another fund.

The Empowerment Funds are School Ready and Early Childhood, which are used to account for the activity of the related programs.

The Medicaid Fund is made up of activity from funds disbursed to other agencies.

The ARRA Fund records the activity from the Infant and Toddler Quality Child Care Program.

(2) Concentration of Credit Risk

The Program maintains its cash and cash equivalents and certificates of deposit in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). Amounts above the FDIC insured amounts in Iowa banks are protected by the State of Iowa under Chapter 12C of the Iowa Code.

The majority of the revenue received is under contract from the Iowa Bureau of Children, Family and Community Services, and the Iowa Department of Human Services.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(2) Concentration of Credit Risk, continued

Revenue from major sources for the year ended June 30, 2011, and the related accounts receivable, as of the end of the year, is as follows:

	<u>Revenue</u>	<u>Grants Receivable</u>
State of Iowa:		
Department of Human Services	\$ 242,561	\$ 58,722
Department of Management, Iowa Empowerment Board	1,992,946	-

(3) Grants Receivable

Grants receivable consist of the following at June 30, 2011:

State of Iowa, Department of Human Services	\$58,722
Seventh Judicial District Juvenile Justice System	14,471
Other	<u>211</u>
	<u>\$73,404</u>

(4) Fiscal Management

Accounting services for the Program are contracted from Bi-State Regional Commission under a fiscal management agreement.

Under this fiscal management agreement, the General Fund incurred salaries and related fringe benefits costs of \$138,961 and accounting and administrative fees of \$38,675 for the year ended June 30, 2011. At June 30, 2011, the General Fund owed Bi-State Regional Commission \$68,728 for the reimbursement of personnel costs, administrative and accounting fees.

Salaries and related fringe benefits costs of \$125,642, \$7,119, and \$628 were incurred by Empowerment, Medicaid, and ARRA Funds, respectively, and \$22,479 by Empowerment in accounting fees during the year ended June 30, 2011. At June 30, 2011, Empowerment and Medicaid owed the General Fund \$310,421 and \$65,990, respectively, for personnel costs, administrative and accounting fees, and payments of contractual services and other expenses. General Fund owed ARRA \$2,811.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program Budget to Actual - All Funds

Required Supplementary Information
Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:			
State of Iowa, grant revenue	\$ 2,235,507	\$ 2,554,333	\$(318,826)
ARRA, infant and toddler quality child care program	20,273	-	20,273
Other	1,343	18,046	(16,703)
Interest	<u>4,541</u>	<u>-</u>	<u>4,541</u>
Total revenue	<u>2,261,664</u>	<u>2,572,379</u>	<u>(310,715)</u>
Expenditures:			
Contractual services	<u>1,880,122</u>	<u>2,163,179</u>	<u>283,057</u>
Payroll costs:			
Salaries	137,709	129,976	(7,733)
Fringe benefits	<u>60,020</u>	<u>60,643</u>	<u>623</u>
Total payroll costs	<u>197,729</u>	<u>190,619</u>	<u>(7,110)</u>
Administration:			
Financial services	61,154	62,500	1,346
Professional fees	25,720	14,000	(11,720)
Travel and meetings	10,215	27,371	17,156
Equipment	-	6,861	6,861
Reference materials	250	250	-
Emergency needs	1,343	-	(1,343)
Office expenditures	16,241	14,743	(1,498)
Membership and dues	473	650	177
Insurance	<u>4,784</u>	<u>5,506</u>	<u>722</u>
Total administration	<u>120,180</u>	<u>131,881</u>	<u>11,701</u>
Other expenditures:			
Community capacity building:			
Salaries	22,659	24,702	2,043
Fringe benefits	9,355	10,498	1,143
Office expenditures	45	-	(45)
Family day care inspection:			
Salaries	31,109	33,319	2,210
Fringe benefits	13,206	14,161	955
Travel and meetings	1,686	1,580	(106)
Equipment	-	1,500	1,500
Office expenditures	2,235	850	(1,385)
Membership and dues	<u>180</u>	<u>90</u>	<u>(90)</u>
Total other expenditures	<u>80,475</u>	<u>86,700</u>	<u>6,225</u>
Total expenditures	<u>2,278,506</u>	<u>2,572,379</u>	<u>293,873</u>
Deficiency of revenue under expenditures	<u>\$(16,842)</u>	<u>\$ -</u>	<u>\$(16,842)</u>

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program Budget to Actual – General Fund

Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:			
State of Iowa, grant revenue	\$ 240,851	\$ 362,485	\$(121,634)
Other	1,343	-	1,343
Interest	339	-	339
Total revenue	<u>242,533</u>	<u>362,485</u>	<u>(119,952)</u>
Expenditures:			
Contractual services	<u>20,494</u>	<u>136,600</u>	<u>116,106</u>
Payroll costs:			
Salaries	97,687	91,545	(6,142)
Fringe benefits	<u>41,274</u>	<u>43,945</u>	<u>2,671</u>
Total payroll costs	<u>138,961</u>	<u>135,490</u>	<u>(3,471)</u>
Administration:			
Financial services	38,675	40,000	1,325
Professional fees	18,222	6,000	(12,222)
Travel and meetings	7,937	22,091	14,154
Equipment	-	6,861	6,861
Reference materials	250	250	-
Emergency needs	1,343	-	(1,343)
Office expenditures	13,780	11,748	(2,032)
Membership and dues	337	400	63
Insurance	<u>2,300</u>	<u>3,045</u>	<u>745</u>
Total administration	<u>82,844</u>	<u>90,395</u>	<u>7,551</u>
Total expenditures	<u>242,299</u>	<u>362,485</u>	<u>120,186</u>
Excess of revenue over expenditures	\$ <u>234</u>	\$ <u>-</u>	\$ <u>234</u>

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program Budget to Actual – Empowerment Funds

Year Ended June 30, 2011

	<u>School Ready Actual</u>	<u>Early Childhood Actual</u>	<u>Total Empowerment Funds Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:					
State of Iowa, grant revenue	\$ 1,326,595	\$ 666,351	\$ 1,992,946	\$ 2,191,848	\$ (198,902)
Interest	<u>1,085</u>	<u>1,565</u>	<u>2,650</u>	<u>-</u>	<u>2,650</u>
Total revenue	<u>1,327,680</u>	<u>667,916</u>	<u>1,995,596</u>	<u>2,191,848</u>	<u>(196,252)</u>
Expenditures:					
Contractual services	<u>1,268,284</u>	<u>560,321</u>	<u>1,828,605</u>	<u>2,018,579</u>	<u>189,974</u>
Payroll costs:					
Salaries	26,578	8,079	34,657	31,791	(2,866)
Fringe benefits	<u>11,240</u>	<u>3,416</u>	<u>14,656</u>	<u>13,511</u>	<u>(1,145)</u>
Total payroll costs	<u>37,818</u>	<u>11,495</u>	<u>49,313</u>	<u>45,302</u>	<u>(4,011)</u>
Administration:					
Financial services	13,037	9,442	22,479	22,500	21
Professional fees	4,348	3,149	7,497	8,000	503
Travel and meetings	1,322	956	2,278	5,161	2,883
Office expenditures	1,351	979	2,330	2,895	565
Membership and dues	79	57	136	250	114
Insurance	<u>1,441</u>	<u>1,044</u>	<u>2,485</u>	<u>2,461</u>	<u>(24)</u>
Total administration	<u>21,578</u>	<u>15,627</u>	<u>37,205</u>	<u>41,267</u>	<u>4,062</u>
Other expenditures:					
Community capacity building:					
Salaries	-	22,659	22,659	24,702	2,043
Fringe benefits	-	9,355	9,355	10,498	1,143
Office expenditures	-	44	44	-	(44)
Family day care inspection:					
Salaries	-	31,109	31,109	33,319	2,210
Fringe benefits	-	13,206	13,206	14,161	955
Travel and meetings	-	1,686	1,686	1,580	(106)
Equipment	-	-	-	1,500	1,500
Office expenditures	-	2,234	2,234	850	(1,384)
Membership and dues	-	180	180	90	(90)
Total other expenditures	<u>-</u>	<u>80,473</u>	<u>80,473</u>	<u>86,700</u>	<u>6,227</u>
Total expenditures	<u>1,327,680</u>	<u>667,916</u>	<u>1,995,596</u>	<u>2,191,848</u>	<u>196,252</u>
Excess of revenue over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program
Budget to Actual – Medicaid Fund

Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:			
Other	\$ -	\$ 18,046	\$(18,046)
Interest	<u>1,213</u>	<u>-</u>	<u>1,213</u>
Total revenue	<u>1,213</u>	<u>18,046</u>	<u>(16,833)</u>
Expenditures:			
Contractual services	<u>11,170</u>	<u>8,000</u>	<u>(3,170)</u>
Payroll costs:			
Salaries	4,921	6,640	1,719
Fringe benefits	<u>2,198</u>	<u>3,187</u>	<u>989</u>
Total payroll costs	<u>7,119</u>	<u>9,827</u>	<u>2,708</u>
Administration:			
Travel and meetings	-	119	119
Office expenditures	<u>-</u>	<u>100</u>	<u>100</u>
Total administration costs	<u>-</u>	<u>219</u>	<u>219</u>
Total expenditures	<u>18,289</u>	<u>18,046</u>	<u>(243)</u>
Deficiency of revenue under expenditures	\$ <u>(17,076)</u>	\$ <u>-</u>	\$ <u>(17,076)</u>

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program Budget to Actual – ARRA Fund

Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:			
ARRA, infant and toddler quality child care program	\$20,273	\$ -	\$20,273
Interest	<u>339</u>	<u>-</u>	<u>339</u>
Total revenue	<u>20,612</u>	<u>-</u>	<u>20,612</u>
Expenditures:			
Contractual services	<u>19,853</u>	<u>-</u>	<u>(19,853)</u>
Payroll costs:			
Salaries	447	-	(447)
Fringe benefits	<u>181</u>	<u>-</u>	<u>(181)</u>
Total payroll costs	<u>628</u>	<u>-</u>	<u>(628)</u>
Administration:			
Office expenditures	<u>131</u>	<u>-</u>	<u>(131)</u>
Total expenditures	<u>20,612</u>	<u>-</u>	<u>(20,612)</u>
Excess of revenue over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2011

The budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41.

In accordance with the Code of Iowa, Chapter 28E.5, the Program annually adopts a budget on the accrual basis following a prescribed form. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures – Governmental Funds
Year Ended June 30, 2011

	General Fund	Empowerment Funds	Medicaid Fund
Revenue:			
State of Iowa, grant revenue	\$ 240,851	\$ 1,992,946	\$ -
ARRA – infant and toddler quality child care program	-	-	-
Other	1,343	-	-
Interest	<u>339</u>	<u>2,650</u>	<u>1,213</u>
Total revenue	<u>242,533</u>	<u>1,995,596</u>	<u>1,213</u>
Expenditures:			
Contractual services	<u>20,494</u>	<u>1,828,605</u>	<u>11,170</u>
Payroll costs:			
Salaries	97,687	34,657	4,921
Fringe benefits	<u>41,274</u>	<u>14,656</u>	<u>2,198</u>
Total payroll costs	<u>138,961</u>	<u>49,313</u>	<u>7,119</u>
Administration:			
Financial services	38,675	22,479	-
Professional fees	18,222	7,497	-
Travel and meetings	7,937	2,278	-
Reference materials	250	-	-
Emergency needs	1,343	-	-
Office expenditures	13,780	2,330	-
Membership and dues	337	136	-
Insurance	<u>2,300</u>	<u>2,485</u>	<u>-</u>
Total administration	<u>82,844</u>	<u>37,205</u>	<u>-</u>
Other expenditures:			
Community capacity building:			
Salaries	-	22,659	-
Fringe benefits	-	9,355	-
Financial services	-	-	-
Travel and meetings	-	-	-
Office expenditures	-	44	-
Family day care inspection:			
Salaries	-	31,109	-
Fringe benefits	-	13,206	-
Travel and meetings	-	1,686	-
Office expenditures	-	2,234	-
Membership and dues	<u>-</u>	<u>180</u>	<u>-</u>
Total other expenditures	<u>-</u>	<u>80,473</u>	<u>-</u>
Total expenditures	<u>242,299</u>	<u>1,995,596</u>	<u>18,289</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>234</u>	\$ <u>-</u>	\$(<u>17,076</u>)

See accompanying independent auditor's report.

Schedule 1

ARRA Fund	Adjustments	Total Governmental Fund Types
\$ -	\$ 1,710	\$ 2,235,507
20,273	-	20,273
-	-	1,343
339	-	4,541
<u>20,612</u>	<u>1,710</u>	<u>2,261,664</u>
<u>19,853</u>	<u>-</u>	<u>1,880,122</u>
447	-	137,712
<u>181</u>	<u>1,710</u>	<u>60,019</u>
<u>628</u>	<u>1,710</u>	<u>197,731</u>
-	-	61,154
-	-	25,719
-	-	10,215
-	-	250
-	-	1,343
131	-	16,241
-	-	473
-	-	4,785
<u>131</u>	<u>-</u>	<u>120,180</u>
-	-	22,659
-	-	9,355
-	-	-
-	-	-
-	-	44
-	-	31,109
-	-	13,206
-	-	1,686
-	-	2,234
-	-	180
<u>-</u>	<u>-</u>	<u>80,473</u>
<u>20,612</u>	<u>1,710</u>	<u>2,278,506</u>
\$ <u>-</u>	\$ <u>-</u>	\$ (<u>16,842</u>)

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures - General Fund

Year Ended June 30, 2011

	<u>Case Aids</u>	<u>Decategorization Coordination and Support</u>	<u>DHS Community Partners</u>
Revenue:			
State of Iowa, grant revenue	\$ 36,204	\$ 180,996	\$ 23,651
Other	-	-	-
Interest	-	-	-
Total revenue	<u>36,204</u>	<u>180,996</u>	<u>23,651</u>
Expenditures:			
Contractual services	<u>-</u>	<u>-</u>	<u>20,494</u>
Payroll costs:			
Salaries	25,409	70,125	2,153
Fringe benefits	<u>10,787</u>	<u>29,453</u>	<u>1,034</u>
Total payroll costs	<u>36,196</u>	<u>99,578</u>	<u>3,187</u>
Administration:			
Financial services	-	38,675	-
Professional fees	-	18,222	-
Travel and meetings	-	7,937	-
Reference materials	-	250	-
Emergency needs	-	-	-
Office expenditures	8	13,772	-
Membership dues	-	337	-
Insurance	<u>-</u>	<u>2,300</u>	<u>-</u>
Total administration	<u>8</u>	<u>81,493</u>	<u>-</u>
Total expenditures	<u>36,204</u>	<u>181,071</u>	<u>23,681</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>-</u>	\$ (<u>75</u>)	\$ (<u>30</u>)

See accompanying independent auditor's report.

Schedule 2

<u>Other Programs</u>	<u>Total General Fund</u>
\$ -	\$ 240,851
1,343	1,343
<u>339</u>	<u>339</u>
<u>1,682</u>	<u>242,533</u>
 <u>-</u>	 <u>20,494</u>
 -	97,687
<u>-</u>	<u>41,274</u>
<u>-</u>	<u>138,961</u>
 -	38,675
-	18,222
-	7,937
-	250
1,343	1,343
-	13,780
-	337
<u>-</u>	<u>2,300</u>
<u>1,343</u>	<u>82,844</u>
 <u>1,343</u>	 <u>242,299</u>
 \$ <u>339</u>	 \$ <u>234</u>

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule 3

Schedule of Revenue and Expenditures –
Empowerment Funds

Year Ended June 30, 2011

	School Ready	Early Childhood	Total Empowerment Funds
Revenue:			
State of Iowa, grant revenue	\$1,326,595	\$ 666,351	\$1,992,946
Interest	<u>1,085</u>	<u>1,565</u>	<u>2,650</u>
Total revenue	<u>1,327,680</u>	<u>667,916</u>	<u>1,995,596</u>
Expenditures:			
Contractual services	<u>1,268,284</u>	<u>560,321</u>	<u>1,828,605</u>
Payroll costs:			
Salaries	26,578	8,079	34,657
Fringe benefits	<u>11,240</u>	<u>3,416</u>	<u>14,656</u>
Total payroll costs	<u>37,818</u>	<u>11,495</u>	<u>49,313</u>
Administration:			
Financial services	13,037	9,442	22,479
Professional fees	4,348	3,149	7,497
Travel and meetings	1,322	956	2,278
Office expenditures	1,351	979	2,330
Membership and dues	79	57	136
Insurance	<u>1,441</u>	<u>1,044</u>	<u>2,485</u>
Total administration	<u>21,578</u>	<u>15,627</u>	<u>37,205</u>
Other expenditures:			
Community capacity building:			
Salaries	-	22,659	22,659
Fringe benefits	-	9,355	9,355
Financial services	-	-	-
Travel and meetings	-	-	-
Office expenditures	-	44	44
Family day care inspection:			
Salaries	-	31,109	31,109
Fringe benefits	-	13,206	13,206
Travel and meetings	-	1,686	1,686
Office expenditures	-	2,234	2,234
Membership and dues	-	180	180
Total other expenditures	<u>-</u>	<u>80,473</u>	<u>80,473</u>
Total expenditures	<u>1,327,680</u>	<u>667,916</u>	<u>1,995,596</u>
Excess of revenue over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying independent auditor's report.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule 4

Schedule of Revenue and Expenditures –
Medicaid Fund

Year Ended June 30, 2011

	<u>Administration</u>	<u>Enhancement</u>	<u>Total Medicaid Funds</u>
Revenue:			
Interest	\$ <u>-</u>	\$ <u>1,213</u>	\$ <u>1,213</u>
Expenditures:			
Contractual services	<u>11,170</u>	<u>-</u>	<u>11,170</u>
Payroll costs:			
Salaries	-	4,921	4,921
Fringe benefits	<u>-</u>	<u>2,198</u>	<u>2,198</u>
Total payroll costs	<u>-</u>	<u>7,119</u>	<u>7,119</u>
Administration:			
Office expense	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>11,170</u>	<u>7,119</u>	<u>18,289</u>
Deficiency of revenue under expenditures	\$ <u>(11,170)</u>	\$ <u>(5,906)</u>	\$ <u>(17,076)</u>

See accompanying independent auditor's report.

SCOTT COUNTY DECATORIZATION PROGRAM

Schedule 5

Schedule of Revenue and Expenditures –
ARRA Fund

Year Ended June 30, 2011

Revenue:	
ARRA- infant and toddler quality child care program	\$20,273
Interest	<u>339</u>
Total revenue	<u>20,612</u>
Expenditures:	
Contractual services	<u>19,853</u>
Payroll costs:	
Salaries	447
Fringe benefits	<u>181</u>
Total payroll costs	<u>628</u>
Administrative:	
Office expense	<u>131</u>
Total expenditures	<u>20,612</u>
Excess of revenue over expenditures	\$ <u>-</u>

See accompanying independent auditor's report.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. Department of Health and Human Services/ Passed through Program from State of Iowa/ Promoting Safe and Stable Families	93.556	DCFS-08-040-3	\$ 2,383
Chafee Foster Care Independence Program	93.674	DCFS-08-040-3	2,986
Chafee Foster Care Independence Program	93.674	DCFS-08-040-4	<u>1,493</u>
Total CFDA #93.674			<u>4,479</u>
Child Care and Development Block Grant Cluster			
ARRA – Child Care and Development Block Grant	93.713	DCFS-10-124	20,612
Child Care and Development Block Grant	93.575	Early Childhood	<u>667,917</u>
Total Child Care and Development Block Grant Cluster			<u>688,529</u>
Total U.S. Department of Health and Human Services			<u>695,391</u>
Total federal awards expended			<u>\$695,391</u>

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Scott County Decategorization Program and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Executive Committee
Scott County Decategorization Program:

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining aggregate fund information of Scott County Decategorization Program as of and for the year ended June 30, 2011, which collectively comprise the Program's basic financial statements listed in the table of contents and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County Decategorization Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scott County Decategorization Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Scott County Decategorization Program's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County Decategorization Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Executive Committee, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bettendorf, Iowa
December 5, 2011

Gabelmann & Associates, P.C.

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

The Executive Committee
Scott County Decategorization Program:

Compliance

We have audited Scott County Decategorization Program's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Scott County Decategorization Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of Scott County Decategorization Program's management. Our responsibility is to express an opinion on Scott County Decategorization Program's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott County Decategorization Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Scott County Decategorization Program's compliance with those requirements.

In our opinion, Scott County Decategorization Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Scott County Decategorization Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Scott County Decategorization Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Scott County Decategorization Program's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Executive Committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties or others authorized by management.

Bettendorf, Iowa
December 5, 2011

Gabelmann & Associates, P.C.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Findings

Year ended June 30, 2011

Part I: Summary of Independent Auditor's Results

Financial Statements

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.

Federal Awards

- (a) An unqualified opinion was issued on compliance with requirements applicable to each of the major federal programs.
- (b) The audit did not disclose any material weaknesses in internal control over the major programs.
- (c) The audit did not disclose any significant deficiencies in internal control over the major programs.
- (d) No audit findings were disclosed that are required to be reported in accordance with OMB Circular A-133 Section .510(a).
- (e) The major programs for the June 30, 2011 audit were as follows:

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Expenditures</u>
U.S. Department of Health and Human Services/ Pass Through Program from State of Iowa/ ARRA - Child Care and Development Block Grant	93.713	DCFS-10-124	\$ 20,612
Child Care and Development Block Grant	93.575	Early Childhood	667,916
			<u>\$688,528</u>

- (f) The dollar threshold used to distinguish between Type A and Type B Programs was \$300,000.
- (g) Scott County Decategorization Program qualified as a low risk auditee.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements

Significant Deficiency

None.

Part III: Findings Related to Compliance with Federal Awards

None.

Part IV: Summary of Prior Findings

None.